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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 005037

SIPDIS

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TAGS: [EFIN](#) [KTFN](#) [PTER](#) [TU](#)

SUBJECT: TURKEY FOLLOW UP ON TERROR FINANCE

REF: A. ANKARA 3863

[B](#). ANKARA 4622

[C](#). ANKARA 3194

Classified By: Charge d'Affairs Nancy McEldowney. Reasons 1.4, b and d

[1](#)1. (SBU) Summary. Taking up Treasury U/S Levey's offer to help in Turkey's preparation for its upcoming FATF review, Turkey's financial intelligence unit, MASAK, is organizing an interagency GOT group to meet with Embassy on September 15. The goal of the meeting is to identify areas for focused bilateral cooperation to address the deficiencies identified by U/S Levey, as well as to exchange actionable information lead to designations of PKK financiers and fronts in Europe and Iraq. This is an unprecedented opportunity to engage deeply with the Turks on terrorism finance; to take advantage of it, the U.S. will need to be ready to share concrete information on PKK financing networks, as well as be prepared to work closely with the Turks at the expert level on specific steps needed to reach FATF standards. End Summary.

Please note action requests in paras 8-9.

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September 15 Interagency Meeting  
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[1](#)2. (SBU) In an August 24 meeting with Economic Counselor, MASAK President Genc Osman Yarasli confirmed that the GOT had agreed to the follow-up proposed in Treasury U/S Levey's June letters to Finance Minister Unakitan and Justice Minister Cicek (ref A). Specifically, we set September 15 for a meeting between embassy representatives and an interagency group of Turkish officials and experts responsible for terrorism finance issues. The agenda for the meeting will be two-fold: 1) discussing Turkey's preparation for its FATF review next year with the aim of identifying opportunities for cooperation with the United States, and 2) sharing information with a view to joint action to designate PKK financial fronts and organizations.

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FATF Preparation  
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[1](#)3. (SBU) In the September 15 meeting, discussion of Turkey's preparedness for the FATF review will focus on the six points identified in Levey's letter. Turkish officials will brief on Turkish progress in addressing the issues identified in those points with a goal of identifying areas requiring additional work where USG assistance and expertise could be of use.

[1](#)4. (SBU) Although Yarasli agreed that U.S. experience in the FATF could help Turkey prepare for the FATF review, he cautioned that on a technical level Turkish experts well understand Turkey's shortcomings in meeting the FATF recommendations. The challenge in meeting those standards was in pushing new legislation and regulation through an overburdened government and parliament that had multiple high-priority legal and regulatory reforms on its agenda. Furthermore, MASAK and other agencies responsible for financial crime were already unable to cope with and absorb the amount of technical assistance currently on offer from the EU. Thus, to be effective, any U.S. assistance would have to be highly targeted and focused.

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PKK Financial Targeting  
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[1](#)5. (C) The second objective of the meeting is to discuss specific plans for joint USG/GOT action against the PKK's financial support network. Yarasli proposed an exchange of actionable information about PKK financing networks in Europe and Iraq that could be used by the U.S. and Turkey -- and eventually EU members -- to designate PKK front groups, financiers and sub-organizations so as to block and freeze their assets.

[1](#)6. (C) Yarasli emphasized an interest in learning more

about the PKK's financing network in Iraq. He mentioned the cigarette factory in northern Iraq that Turkish officials claim is producing counterfeit cigarettes for sale in Turkey and elsewhere as an example of how Kurdish separatists fund themselves. (Note Finance Minister Unakitan raised this specific concern with Codel Shelby and Ambassador Edelman in June - see ref C. Yarasli said this was an example of the type of information he would like to exchange with the United States; he was disappointed we had not yet responded to Unakitan's concerns.)

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Comment and Action Requests  
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17. (C) Building on U/S Levey's visit in June and Codel Shelby's discussions three weeks earlier, we have generated both an unprecedented focus by the GOT on their terrorism finance deficiencies and a readiness to engage with us for the first time on the meat of the issues. Yarasli was, however, frankly skeptical of our commitment to this effort. He advised that if the initial September 15 meeting did not lead to concrete steps both on FATF cooperation and countering PKK financing, Turkish agencies would lose interest.

18. (C) Action requests: Yarasli's deputy Ender Tosun suggested that participation of U.S. terror finance experts in the September 15 meeting would be a signal of the seriousness of our engagement. Post would also note that participation by a Washington-based official could facilitate the concrete follow-up measures needed to help prepare Turkey for a favorable FATF review. Post would appreciate serious consideration of sending the right person to Ankara to help facilitate this dialogue.

19. (C) The PKK dimension of this engagement is critical: it is an area where we can show our commitment to helping Turkey fight PKK terrorism short of kinetic military action in northern Iraq, and it creates incentives for the Turks to work better with us and the international community on broad terrorism financing issues. Being in a position to share concrete information at this meeting that could be used to substantiate designation of PKK financiers and fronts is an absolute requirement for the success of this endeavor.  
MCELDOWNEY